



Proposed 2007-08
Mayor Greg Nickels Budget
"Making a difference in people's lives."



2007-2008 Proposed Budget Highlights

Mayor Greg Nickels continues focusing on the four priorities he established when he took office in January 2002. His 2007-2008 Proposed Budget reflects strong economic growth and the results of good fiscal management over the last few years.

While the strong economy produced significant General Fund surpluses in 2005 and 2006, the City will likely face several major budget challenges in 2008 and 2009. Because of this, the Mayor recognized the City must be cautious in starting new, ongoing programs or expanding existing ones. When developing his 2007-2008 Proposed Budget, he focused on one-time budget additions and high-priority programs. His proposed budget also offsets some of the budget cuts that had to be made earlier in the decade.

THE PRIORITIES

- Get Seattle moving.
- Keep our neighborhoods safe.
- Build strong families & healthy communities.
- Create jobs & opportunity for all.

The Mayor's 2007-2008 Proposed Budget:

- Expands support services for Housing First, a strategy that offers housing for homeless with support services to deal with the additional challenges of drug or alcohol abuse and mental-health issues.
- Creates a three-part Environmental Action Agenda that expands and maintains Seattle's tree cover, reduces greenhouse gas emissions and improves the city's streams and shorelines.
- Invests in several neighborhoods, including South Park, Broadway and Southeast Seattle.
- Expands apprenticeship opportunities to provide access to well-paying jobs in building trades, automotive professions and other jobs.
- Adds new park rangers to Seattle's downtown parks, improving security and service.
- Continues current transportation maintenance efforts, and adds significant funding under Bridging the Gap, a transportation maintenance and development program.
- Removes most graffiti on public property within 48 hours because one of the most effective deterrents to graffiti is ensuring its prompt removal.
- Stabilizes Seattle Center's finances and restores maintenance positions.
- Features several one-time investments to improve the City's technological capabilities, such as installing global positioning technology in police cars to ensure the fastest possible response and provide additional officer safety.

Budget-At-a-Glance

Budget-At-a-Glance			
2007 Proposed		2008 Proposed	
General Fund	Total Budget	General Fund	Total Budget
\$807 million	\$3.3 billion	\$813 million	\$3.4 billion

OUR ECONOMY IS STRONG

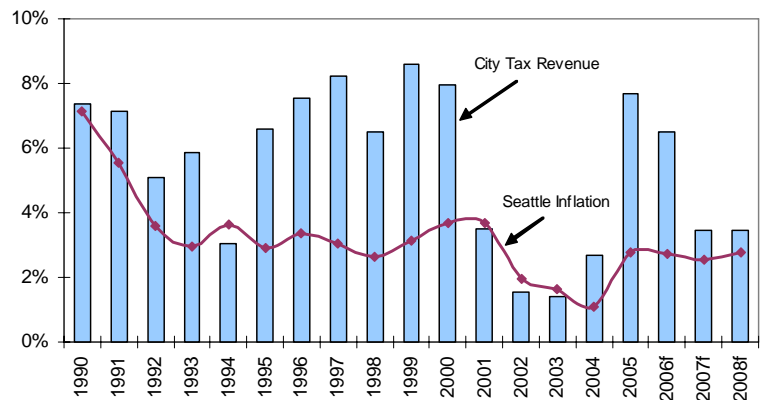
The Puget Sound area's economy has rebounded strongly from the 2001 recession. Job growth in the region now exceeds that in the rest of the state and the nation as a whole. A major construction boom now under way includes office buildings, research and manufacturing facilities, housing, and public projects, such as Sound Transit light rail.

This economic growth has bolstered many City revenues, including sales tax, Business and Occupation (B&O) tax, Real Estate Excise Tax (REET), electricity sales, and construction permits. General government revenue is projected to total \$785 million in 2007, up from a projected \$750 million in 2006.

Growth is expected to slow over the next biennium, but stay ahead of inflation

City tax revenue growth outpaced inflation for most of the 1990s and 2000 before the local recession took hold. Slow growth posted in 2001 is also attributable to Initiative 747, which reduced the statutory annual growth limit for property tax revenues from 6% to 1% beginning in 2002. The economy started rebounding in 2004, which led to very strong revenue growth in 2005 and 2006, staying well above inflation.

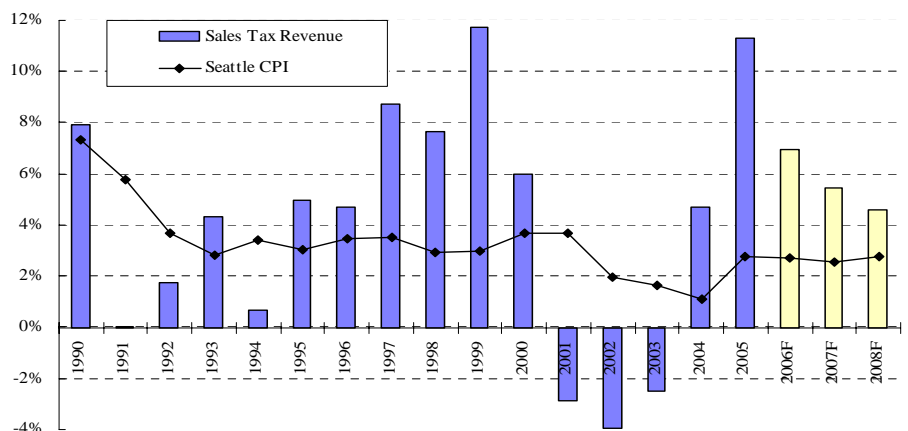
City of Seattle Tax Revenue Growth, 1990-2008



Retail sales tax revenue is forecast to increase by 7% in 2006 & then grow more slowly in 2007-2008

The forecast of sales tax revenue reflects the expectation that the national and regional economies will grow more slowly in the second half of 2006 and in 2007-2008. Sales tax revenue is expected to increase by 7% in 2006, then drop to 5.5% and 4.6% in 2007 and 2008, respectively.

Annual Growth of Retail Sales Tax Revenue



Note: All revenue figures reflect current accrual methods. 2006-08 are forecasts.

REVENUES: WHERE THE MONEY COMES FROM

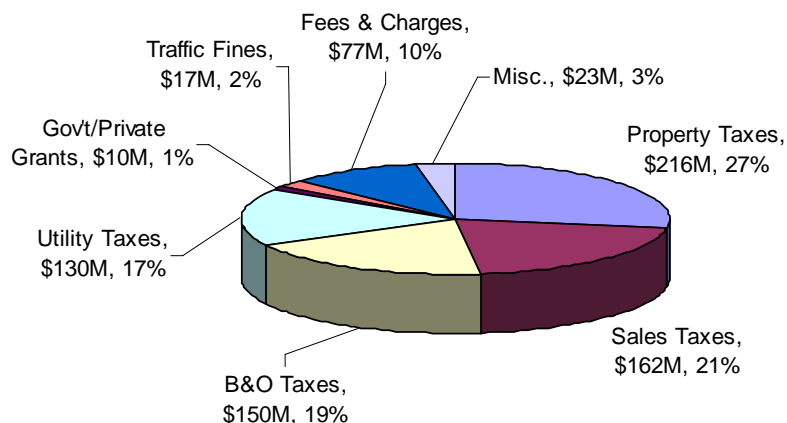
Seattle City government has four main sources of revenue supporting the services and programs the City provides its residents:

- **Taxes, license fees, and fines** support activities typically associated with City government, such as police and fire services, parks, and libraries.
- **Fees for services, regulatory fees, or dedicated property tax levies** partially or completely support certain City activities. Examples of City activities funded in whole or in part with fees include Seattle Center, parks and recreational facilities, and building inspections.
- **Grant revenues from private, state or federal agencies** support a variety of City services, including social services, street and bridge repair, and targeted police services.
- **Charges to customers for services** fund City utilities (electricity, water, drainage and wastewater, and solid waste).

In 2007, total government revenue, including utilities, is projected to total \$3.4 billion.

In 2007, general government revenue is projected to total \$785 million (excluding Parks Charter revenues).

2007 General Fund Revenue Forecast - \$784.9 Million
(in millions of dollars)



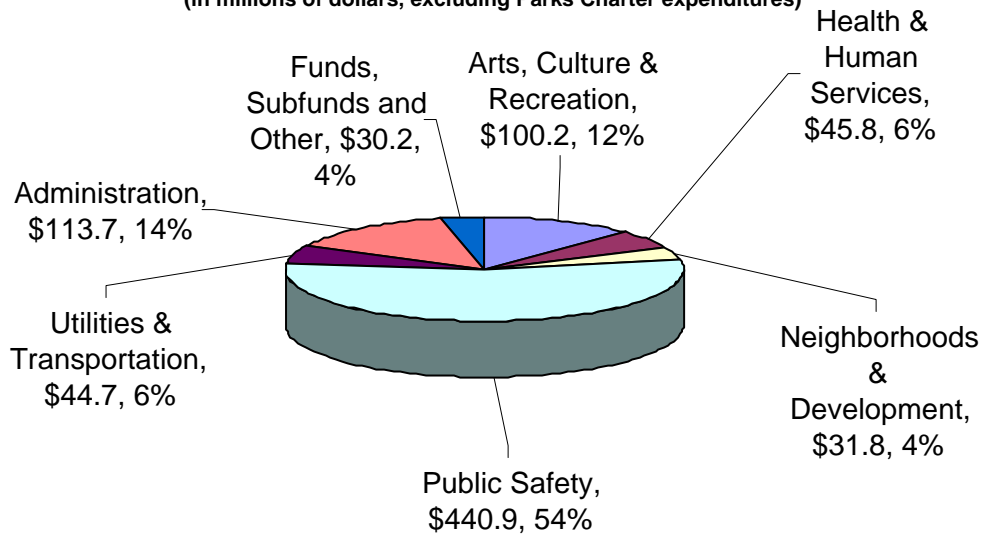
EXPENDITURES: WHERE THE MONEY GOES

The Mayor and Council have the most discretion over operating expenditures associated with the General Fund, which pays for services such as police, fire, parks and libraries.

The following pie charts show total operating expenses for 2007 by major service category. The first chart represents General Fund expenses; the second the entire budget.

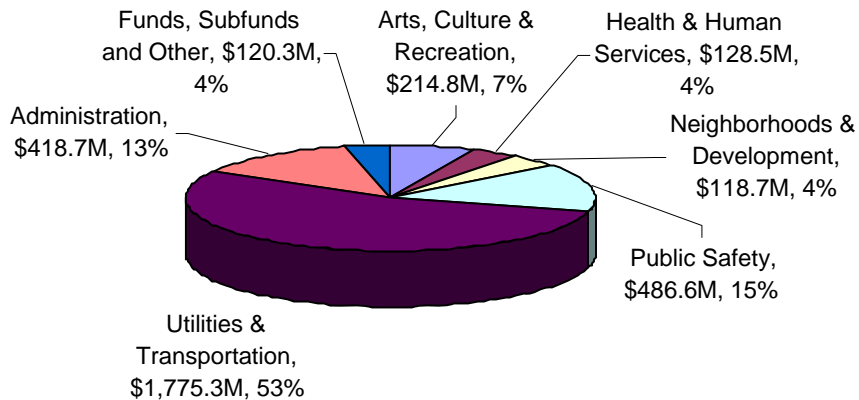
2007 Proposed General Fund Expenditures - \$807 million

(in millions of dollars, excluding Parks Charter expenditures)



2007 Proposed Budget - \$3.3 billion

(in millions of dollars)

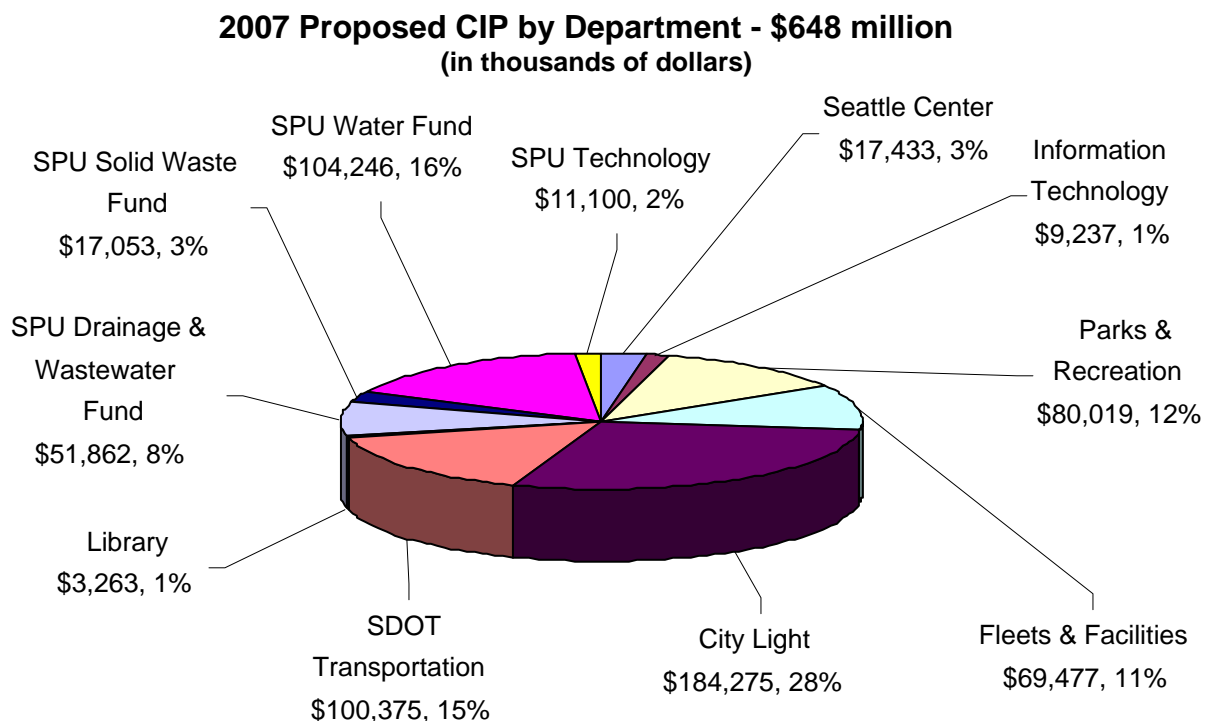


EXPENDITURES: WHERE THE MONEY GOES (CONTINUED)

A portion of the City's budget is capital spending. The Capital Improvement Program (CIP) describes the City's investments in rehabilitation, restoration, improvements, and additions to the City's capital facilities.

Projects in the CIP cover a wide range of capital projects, including construction of new libraries, street repairs, park restorations, and work on electrical substations. The CIP covers the six-year planning horizon for 2007-2012. It is updated each year. The CIP document is submitted to the City Council for adoption along with the City's annual budget.

The following chart shows proposed CIP expenditures by department for 2007.



ECONOMIC CHALLENGES AHEAD

Despite the strong economy, most economic forecasters expect the national and regional economies to slow over the next few years in response to higher interest rates, a slumping housing market, higher energy prices, and other issues. In addition to these economic concerns, the City faces some significant financial challenges as it enters this biennium:

- **B&O Tax Law Changes.** Changes to the law, which become effective in 2008, alter how income for certain businesses is calculated for tax purposes. As a result, Seattle estimates a \$20 million loss in 2008, which would account for about 3% of the General Subfund budget, once unavoidable costs, such as debt service and contractual commitments, are excluded. The City will ask the Legislature to modify this change next year.
- **Health Care Costs.** City health care expenditures are projected to grow by about \$45 million between 2005 and 2008, or about 14.4 percent per year. The increases are due to the health care market and changes in utilization as opposed to improvements in plan benefits. Similarly, industrial insurance expenditures are projected to grow by about 9.2% per year over the same period. This increase results from health care costs for treating injured workers, not from higher injury rates.
- **Parks Levy Expiration.** In 2000, Seattle's voters approved the Neighborhood Parks, Green Spaces, Trails, and Zoo Levy Lid Lift to provide eight years of funding for various parks-related acquisition, development, and maintenance projects. In addition, the Levy included funding for expanded programs and services at parks and community centers. The Levy expires at the end of 2008. About \$9 million would need to be found starting in 2009 if all of these programs were continued.

Despite the expected challenges, the City's long-term fiscal health is good and it has more than adequate reserves to meet its long-term obligations. The City's very high credit rating was not changed by the rating agencies despite the severe recession of 2001-2003.

THE PRIORITIES GET SEATTLE MOVING

Transportation systems are a critical feature of urban areas. In recent years, Seattle has been faced with falling revenues for transportation. Court decisions, Tim Eyman-sponsored initiatives and the state's funding formula have caused dedicated revenues to fall from \$37.5 million in 1995 to \$13.1 million in 2006. At the same time, more people live in Seattle and are using the roads, bridges, sidewalks, bike paths, and buses. The City has increased its support for transportation from the General Fund and REET significantly over the past five years, but still has a substantial transportation maintenance backlog. The Proposed Budget continues current transportation maintenance efforts and adds significant funding in two programs:



- **Bridging the Gap.** In May, Mayor Nickels proposed a 20-year transportation maintenance and development program to be supported by a combination of a property tax levy lid lift, a commercial parking tax, and a business transportation tax calculated on employee hours worked. The Council approved a modified version of this proposal in July with a somewhat lower property tax and a gradual phase-in of the other two taxes. In September, the Mayor and several Councilmembers decided to propose a modified property tax measure for the November ballot. Assuming the new approach is approved by voters, approximately \$40 million and \$52 million would be generated by the three revenue sources for transportation investments in 2007 and 2008, respectively. These investments include significant expansions of maintenance programs, such as street paving and bridge rehabilitation; new and expanded programs to build sidewalks and bicycle lanes; support for transit operations and related capital improvements; and the City's share of the cost of four major facilities – the Spokane Street Viaduct, the Mercer Corridor, the Lander Street Overcrossing, and King Street Station.

THE PRIORITIES **GET SEATTLE MOVING (CONTINUED)**

- **Alaskan Way Tunnel and Seawall.** The Alaskan Way Viaduct is approximately 50 years old and has exceeded its useful life. Many parts of the structure are seismically unsafe and it sits on unstable soils. The neighboring Seawall was mostly built in the 1930s and has deteriorated under attack by marine organisms. The City has been working with the Washington State Department of Transportation (WSDOT) to develop plans for replacing these structures. The Mayor and Council have identified a tunnel as the City's preferred replacement option. The 2007 Proposed Budget includes \$24 million in City Light and \$5.5 million in SPU to continue planning and design for utility relocation required by the project. Actual relocations are projected to begin in 2008. In addition, the Budget proposes a \$4 million Councilmanic bond issue to cover a portion of SDOT's costs in 2007-2008. These costs include design work and demonstration projects related to the North Seawall. Other costs will be covered by WSDOT.



THE PRIORITIES **KEEP OUR NEIGHBORHOODS SAFE**

Public safety is the principal responsibility of local government. In the last three years, the City has made major new investments in public safety, including the addition of about 33 Police patrol officers, as well as Police technology and equipment. The City is in the process of adding firefighters so each engine has a four-person crew, which will improve safety and provide faster response to fires.



This process is expected to be complete in early 2008. The Fire Facilities Levy is providing funds to replace or renovate neighborhood fire stations, build a new Fire Alarm Center and Emergency Operations Center (EOC), and purchase two new fireboats. The City has also stepped up its efforts to prepare for emergencies, acquiring disaster caches, emergency generators, emergency water supplies, and equipment and supplies needed to respond to terrorist events or natural disasters. Three major new activities are included in the 2007-2008 Proposed Budget:

- **New Patrol Positions.** The City has received grant funding from Sound Transit to provide additional traffic control during construction of light rail in the Downtown Bus Tunnel. Some of this funding expires in 2007. The Mayor proposes continuing current staffing levels using General Fund resources, which will add six patrol positions in 2007 at a cost of about \$600,000.
- **Video Cameras in Police Cars.** The Proposed Budget includes \$585,000 to put combined cameras and mobile data computers in all Police Department patrol vehicles. In addition, each officer will be issued his/her own laptop computer to be used with the new Records Management System. This deployment of technologies will improve efficiency and increase accountability.
- **New Police Vehicles.** The Proposed Budget provides \$300,000 to purchase 10 new patrol cars, which will increase coverage through one-person, rather than two-person, vehicles.

THE PRIORITIES **KEEP OUR NEIGHBORHOODS SAFE** **(CONTINUED)**

- **Emergency Preparedness.** Several departments receive funding to expand emergency preparedness. The Fire Department receives \$142,000 and the Fleets and Facilities Department (FFD) \$92,000 for staff to coordinate their departments' emergency work. The Police Department receives \$200,000 to study the City's needs to respond to a medical emergency, such as pandemic flu. An additional \$250,000 is budgeted to purchase equipment or supplies identified by this study.
- **48-Hour Graffiti Response.** Graffiti is often an indication of deteriorating safety in a neighborhood and one of the most effective deterrents to graffiti is ensuring its prompt removal. The Proposed Budget adds about \$2.4 million in total resources to Parks, Seattle Center, SDOT, and SPU to ensure removal of most graffiti on public property within 48 hours. (Costs in 2007 are generally higher than in future years in order to cover startup costs for vehicles and equipment.)
- **Automatic Vehicle Locators.** \$200,000 is provided to purchase and install vehicle locators in each Police patrol car. This system uses global positioning technology so dispatchers can see the exact location of every patrol vehicle, thereby ensuring the fastest possible response and providing additional officer safety.
- **Improving Data Sharing.** The City will spend approximately \$680,000 to further develop the Seattle Justice Information System, which improves data links among the Police Department, Law Department, and Municipal Court. This system eliminates duplicate data entry and improves efficiency, allowing position reductions in some agencies.
- **Backup 911 Center.** About \$966,000 is included for the Department of Information Technology to build a backup 911 dispatch center in the new EOC.
- **Unreinforced Masonry Building Study.** The Department of Planning and Development (DPD) receives \$53,000 to conduct a study of unreinforced masonry buildings in Seattle. This survey will inform the City as to what the next steps should be to increase the safety of these buildings.

THE PRIORITIES **BUILD STRONG FAMILIES AND HEALTHY COMMUNITIES**

The City of Seattle provides a wide range of services to its residents and to people from the surrounding region. The Proposed Budget includes significant expansions of efforts in many areas:

- **Environmental Action Agenda.** The Mayor has proposed a three-part Environmental Action Agenda. The 2007 Proposed Budget includes about \$18.5 million of investments -- \$13.3 million of which is associated with the Bridging the Gap transportation initiative -- in the following three areas:
 - The “Climate Protection Initiative” receives \$14.3 million to reduce greenhouse gas emissions and ensure Seattle achieves the goals of the Kyoto protocol by 2012. Proposals include purchasing “green” vehicles and equipment, including hybrid cars for Police nonpatrol uses and electric equipment for maintenance in Parks and Seattle Center, as well as further expansion of the City’s use of biodiesel. The Mayor also proposes adding and maintaining sidewalks and bike lanes; investing in transit operations and making capital investments that improve transit reliability; and adding staff and capital funds to reduce energy and water use by City facilities.
 - “Green Seattle” spends \$3 million to expand the City’s tree cover and ensure City-owned trees are maintained appropriately. New tree crews will be added to Parks and SDOT to maintain City-owned trees, and funds will be added to improve maintenance of trees in the City’s open space areas, including removal of invasive species.
 - “Restore Our Waters” receives \$1.2 million to improve the City’s streams and shorelines, and reduce adverse impacts caused by City facilities. The Mayor proposes reducing wastewater discharges from City facilities by covering materials storage areas and changing systems at fire stations.



THE PRIORITIES **BUILD STRONG FAMILIES AND HEALTHY COMMUNITIES** **(CONTINUED)**

- **Housing the Homeless.** Seattle is making investments in transitional and permanent housing to get homeless individuals out of shelters. In 2007, \$2 million is added to the Office of Housing's (OH) budget to fund the City's share of construction of about 40 units of supported housing. The "Housing First" strategy offers housing with support services to deal with homeless individuals with the most significant challenges, including drug or alcohol abuse and mental health issues. The 2007-2008 Proposed Budget includes about \$3 million for Housing First.
- **Shelter Beds Maintained.** About \$705,000 is included in 2007 and 2008 to continue the current level of shelter beds until the investments in housing can begin to reduce demand.
- **Neighborhood Investments.** The Proposed Budget expands City programs in neighborhoods facing economic uncertainty and social challenges. Three neighborhoods receive special attention:
 - South Park. The 2007-2008 Proposed Budget includes approximately \$1.7 million for the South Park neighborhood. This money will fund expansion of community center hours, with a particular focus on youth programs; continuation of very successful human services and economic development programs; paving of the major street in the business district; and continued efforts to reduce drainage problems.
 - Broadway Revitalization. An initiative to revitalize the Broadway neighborhood began in 2005. The 2007 Proposed Budget includes \$200,000 in the Office of Economic Development (OED) to continue these efforts. Another \$175,000 is provided in 2008 to fulfill the City's overall commitment of \$500,000 to this neighborhood.
 - Southeast Seattle. Sound Transit light rail and other development pressures will have major effects on Southeast Seattle. The 2007-2008 Budget continues funding for efforts in OED and the Office of Policy and Management to support this neighborhood. In addition, \$75,000 is provided in Finance General each year for consultant support for a possible community revitalization effort.



THE PRIORITIES **BUILD STRONG FAMILIES AND HEALTHY COMMUNITIES** **(CONTINUED)**

- **Community Facilities.** The City has provided financial support for several development projects by nonprofit cultural or human services organizations in the last few years, including the Museum of History and Industry, the Seattle Children's Museum, the Wing Luke Museum, the Colman School project, and the Asian Counseling and Referral Services project. The Mayor is proposing to continue this practice in the 2007-2008 Budget. New investments include:
 - \$1 million for the Rainier Vista Boys and Girls Club, as called for in Resolution 30817;
 - \$250,000 for part of the costs of a new facility for Family Services;
 - \$250,000 for the East Madison YMCA project;
 - \$500,000 for the Seattle Housing Authority for a community facility at High Point; and
 - \$333,333 in 2008 as the first payment of a projected \$1 million for the Nordic Heritage Museum.
- **Parks Improvements.** The Proposed Budget includes several major initiatives in the Parks Department. In addition to the "green" investments that have already been described, the Budget includes:
 - About \$2.5 million for a downtown parks initiative of maintenance and program expansions, plus the creation of a new park rangers program to improve security and service.
 - About \$7 million of Councilmanic debt is proposed to renovate Building 27 at Sand Point to house indoor recreation programs. This debt service is expected to be covered by tenant revenues after 2009.
 - Funds are provided for partial payment for the Capehart property in Discovery Park. An agreement on this issue is expected in early 2007.
 - Several playfields will receive new artificial turf fields and replacement of lights with safer, more energy-efficient, and less obtrusive structures.



THE PRIORITIES **BUILD STRONG FAMILIES AND HEALTHY COMMUNITIES** **(CONTINUED)**

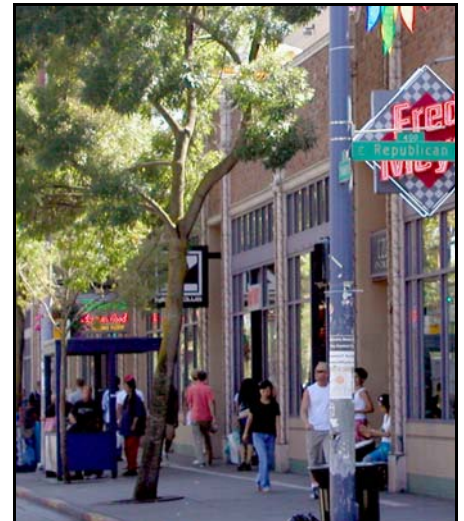
- Finally, the rapid growth of REET in recent years allows Parks to expand its major maintenance of existing facilities.
- **Library Collections & Technology.** A recent patron survey found that users wanted more investment in collections rather than expansion of hours, so the Proposed Budget makes permanent a 2006 temporary \$500,000 annual increase in the Library collections budget.
- **Seattle Center.** Seattle Center experienced very difficult financial circumstances in the early part of this decade due to the recession and relatively poor performance by the major tenant, KeyArena. Despite cutting staffing and reducing maintenance, the Center developed a \$10 million deficit by 2005. This deficit has been filled by selling parking lots surplus to the Center's needs, but the deficit would recur quickly without further action. The Mayor appointed a citizens committee to make recommendations on the Center's future. The 2007-2008 Proposed Budget builds on these recommendations in several ways:
 - Debt service on KeyArena and the revenues associated with it are removed from the Seattle Center Fund and shifted to the General Fund. This creates a net annual obligation for the General Fund of about \$2.6 million.
 - Nine maintenance positions are restored to the Center's budget at an annual General Fund cost of almost \$1 million.
 - The General Fund also provides money to offset revenue losses associated with the monorail. A \$4.5 million rehabilitation of the monorail is financed through Councilmanic debt to be repaid by the General Fund, operating revenues, and projected federal grants.
 - Funding is provided from the Cumulative Reserve Subfund to pay for a 20-year plan for the Center's facilities and grounds. This will update existing plans that have supported the Center's rehabilitation since the early 1990s.



THE PRIORITIES **CREATE JOBS AND OPPORTUNITIES FOR ALL**

Economic development was a major focus of the City in the first part of this decade. The deep recession led the City to undertake major efforts to attract and retain employers, including lifting the development lid in the University District, changing development regulations and making public investments in the Northgate neighborhood, building infrastructure and supporting redevelopment in South Lake Union, and changing development regulations to support construction and housing downtown. The City also made a series of targeted investments in job training, business outreach, and neighborhood business districts. These efforts will continue and expand in 2007. In addition, the Mayor's Proposed Budget includes three new economic development proposals:

- **B&O Tax Threshold.** The Mayor proposes raising the threshold for B&O tax payments from its current level of \$50,000 to \$75,000, which means firms with annual revenues less than \$75,000 would not be subject to the City's B&O tax. The threshold has not been raised since 1994 and the Mayor believes tax relief for these small businesses is warranted.
- **Permit Processing Times.** The recent boom in construction has led to delays in processing building-related permits, despite staff expansions and new systems that improve interdepartmental coordination. The Proposed Budget adds approximately \$2.8 million for resources to ensure permit processing time goals are met.
- **Apprenticeships.** Apprenticeship programs are one of the best ways to provide access to well-paying jobs in building trades, automotive professions, and other jobs. These programs are especially valuable for women and people of color. The City has been a leader in providing apprenticeship opportunities and a substantial expansion of these opportunities is planned for 2007:
 - City Light receives \$391,000 to add 30 apprentice positions to begin preparing individuals to replace lineworkers and other electrical professionals, many of whom are expected to retire within the next decade.



THE PRIORITIES
CREATE JOBS AND OPPORTUNITIES FOR ALL
(CONTINUED)

- Seattle Public Utilities adds eight water pipe workers to expand one apprentice program and receives \$308,000 to establish and operate a drainage and wastewater apprentice program.
- The Fleets and Facilities Department receives \$119,000 to restore its three auto apprentice positions.
- Finally, the Personnel Department's budget will include 25 unfunded apprentice positions. These will be used in the same way as the successful program for supported employees. Departments that want to create or expand an apprenticeship program can borrow a position from Personnel and use it to hire a new apprentice. This provides more flexibility and allows programs to be started quickly and efficiently.
- **Contractor Development.** City support continues for the Contractor Development and Competitiveness Center, which helps small businesses develop skills to obtain public contracts.
- **Fair Wages.** The Department of Executive Administration receives \$82,000 to improve review of the prevailing wage compliance on OH-funded projects. This responds to recent concerns that many workers on these projects, who are often immigrants and people of color, have not been paid appropriately.